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10 August 1948

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SUBJECT: Notes on Communist Party Finances

The attached study on Communist Party finances has been prepared as background information to assist the collection of intelligence on this significant aspect of Party activities. It is realized that it is difficult to obtain documentary evidence concerning Party finances where they are overt, and that covert financial dealings are even harder to document. It is however suggested that attention be focused on the clandestine transactions of the Communist Party, i.e., that first priority be given to the following subjects:

- a. business, commercial and trade fronts; their personnel and transactions;
- b. financial support of the Party through Soviet sources, including transfers of moneys from official or semi-official Soviet and Satellite installations or individuals to the Party;
- c. transfers of funds from one Party to another;
- d. illegal activities (speculation, black market dealings, bribery and extortion);
- e. identification of financial couriers.

Secondary attention should be given to the more normal aspects of Party finances. It will however be of value to receive authentic financial statements published by the party, complete Party budgets and estimates, as well as complete lists of overt, money-making Party enterprises and their financial status.

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~~SECRET~~NOTES ON COMMUNIST PARTY FINANCES

Few activities of Communist Party administration are so shrouded in obscurity as their financial transactions. The reasons are not difficult to find. Partly responsible is normal reticence -- a reticence not unique to the Party, but shared by most other business, social, and political organizations in matters of their finances. Also responsible is the conspiratorial flavor which the Party cultivates deliberately as a part of its recruiting technique. More important is the fact that the Party does engage in work that, when not actually illegal, is at least better kept from general publication.

In order to reduce confusion between well-established fact and speculation to a reasonable minimum, the present brief outline on Party finances has been divided into two sections. The first deals with "normal" operations -- activities which are neither "shady" nor actually illegal; those which the party acknowledges. The second part attempts to show in general terms the directions which illegal, or otherwise compromising operations may take, so far as they are reflected in the party's finances. A balance sheet of the CP Italy has been appended to the study to illustrate the more common items of income and expenditure.

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~~SECRET~~PART ONE: "NORMAL" OPERATIONS

A Communist Party is only incidentally a money-making or money-conscious organization. Its political functions -- agitating, propagandizing, recruiting, building up a political action machine -- are its prior but not exclusive business. Clandestine-illegal activities permeate the entire political structure of the Party, necessitating special security techniques. Hence, the seemingly indifferent attitude of the Party to accounts-keeping. The statements rendered to Party Congresses, and even those few samples which we have so far obtained which are intended to satisfy Party functionaries, are always general and usually misleading. They are probably inaccurate even in the few details which they purport to explain.

Drawing on such documents, supplemented by field reports of varying degrees of accuracy and detail, we can construct something of an outline of Party finances. The principal sources of "normal" Party revenues are: membership fees and dues; periodic financial drives; voluntary contributions from members and sympathizers; extra levies on members for special purposes or on special occasions; and receipts from "normal" operations, such as the sale of Party literature, sale of tickets to Party-sponsored events, and the like. Chief objects of expenditure are: salaries of functionaries, agitation-propaganda expenses, and operational necessities, mostly of a housekeeping variety (rent of office space, stationery, travel accounts, etc.)

A. "Normal" Revenues

Membership fees and dues are always nominal charges against Party members, and, in addition to providing a fairly steady source of income, also give the Party a rough check on the size and quality of its membership at any particular time. The annual membership fee is secured by the sale of the Party card for an amount equalling, in most countries, a single month's dues. The fee in the American zone of Germany, for example, is 1 Mark (\$0.10). Dues are similarly secured by the sale of the monthly stamp, which the member affixes to his card.

Receipts from dues and membership fees are distributed among the various Party levels according to a scale set by statutes. The pattern varies widely from one country to another. That obtaining in the CP Cuba follows for purposes of illustration:

cell.	keeps 15%
district committee.	gets 15%
municipal committee.	" 15%
provincial committee	" 25%
national committee	" 30%

It is probable that in most countries distribution is effected by the sale of dues stamps by one level to the next lower echelon, each such transfer carrying a discount on a descending rate. For example, the national organization might sell stamps to its regional organizations at 30% of face value. The cell, finally, would sell the stamps to individual members at face value, netting a profit of, say, 15% over what it had to pay to the district organization. This procedure, enabling each organ to "live" a month ahead of actual dues collections, is represented, probably less often than not, by cash transfers. Like any other organization of comparable size, the party operates largely on credit and by means of credit-transfers within the structure. At each level, a functionary is appointed or elected to handle finances, from the cell treasurer to the national finance secretary (or treasurer).

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Party statutes in most countries provide for a scaling of dues according to income. Thus, the 1945 statutes of the CP Chile prescribed the following scale:

Agricultural workers, housewives, unemployed members.	2 pesos
Salary up to 1000 pesos per month.	5 "
" " " 1500 " " "	10 "
" " " 2000 " " "	15 "
" " " 3000 " " "	35 "
" " " 4000 " " "	55 "
" " " 5000 " " "	75 "
Salary over 5000 " " "	100 "

In addition to regular dues, more affluent members are expected to make periodic extra contributions. Levies are frequently made on all members above the lowest income-level, and most Parties extract a large percentage of the salaries of members holding public office. "Secret" members and sympathizers, for whom exposure of their Party connections might be embarrassing, are especially vulnerable to the demands for extra contributions.

Some Parties enjoy the backing of financiers, businessmen, industrialists, and professional men. The motives of such "angels" may sometimes be idealistic; more often, probably, they simply hope to avoid party-inspired difficulties, such as strikes or loud publicity in the Party press. An interesting comment from Switzerland is that several Swiss business firms have cultivated the Party in the hope of securing trading contracts with countries in the Soviet sphere.

The endless money-raising campaigns conducted by the Party serve partly for revenue, partly for propaganda purposes. They may exhibit considerable ingenuity in combining the two. A specific purpose, calculated to arouse general popular sympathy, is announced -- to relieve destitute workers or incapacitated veterans, to buy a printing press, to finance an electoral campaign, to remodel the Party house, etc. -- and quotas are assigned to the various levels of the organization, depending on prospects within their particular areas, but usually exceeding probable collections. Special incentives are sometimes offered for organizations and individuals reaching or exceeding the quota -- flattering publicity in the Party press, badges of merit, or prizes of some value. Several Parties have sold "bonds" of no intrinsic worth, but useful as receipts and as carriers of propaganda squibs. Funds collected in the course of such drives are partially dissipated by expenses incurred, an outlay that may be quite extravagant. A regional committee of CP Chile, for example, is reported to have spent 80,000 pesos in an election-funds drive that grossed only 328,000 pesos.

Other activities of the Party also produce revenues which do not represent a net gain, but which nevertheless may go far to defray some of the expenses of the activities. The Party newspapers are usually distributed at below cost. The printing establishment, on the other hand, when it is owned by the Party, represents a capital investment on which the Party may borrow in case of necessity. Printed materials, which are often imported at low cost, may yield profits when sold to non-members in the familiar front bookstores. Party publishing houses frequently take up non-Party contracts which may also be quite profitable. Thus, Barra y Cia of Santiago is known to have yielded a profit for CP Chile of more than 130,000 pesos in the first half of 1944. An ONI report describes an interesting method used to extract money indirectly from Party-dominated labor unions in New York City:

The Communist Party owns two printing corporations in New York. They share the same premises, equipment and

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personnel. One of them, known as Prompt Press, prints all the Party's literature, most of which is never paid for. The other, known as the New Union Press, is favored with printing contracts of all Communist-controlled unions and other groups whenever a Party member can influence the awarding of such business. New Union Press charges fancy prices but the bills are approved in most cases by the same Party members who awarded the contracts. The profits so accruing offset the yearly deficit of Prompt Press, the Party's printer.

Other revenue-producing business ventures and investments of the Party include farm and commercial cooperatives, buildings which are rented, fishing fleets, and other small enterprises. Various ventures which have been reported engaged in by the Party, or which the Party in various countries has contemplated include:

- a used car agency (Brazil)
- a cheese company (Greece)
- a salt and textile store (Japan)
- a fashionable confectioner's shop (Greece)
- fishing vessels (Japan, Greece)
- export companies (Italy, U.S.)
- moving-picture houses (Greece)
- a shoemakers' cooperative (Greece)
- book stores (all countries)
- a "motor transport cooperative" (Greece)
- a lottery (Chile)

B. "Normal" Expenditures

One of the more important and fairly inflexible charges against party revenues is the payment of functionaries' salaries. In several financial statements considered, salaries and expense accounts consumed about 20% of total expenditures. Individual salaries vary with the importance of the particular position held and with the general wage level of the country involved. They are seldom (except in countries in which the Party controls the government) large enough to permit much in the way of luxurious living, even by the top leaders -- a practice which coincides with the advertised Communist virtue of selfless frugality.

Top salaries in the CP Chile in 1945 seem to have amounted to about 6,000 pesos a month (a little less than \$200). Part of this amount was derived indirectly from salaries which the top leaders received as executives of one or the other of the Party's newspapers. A second-flight leader (a member of the Central Committee with no position in the Secretariat) received 3,000 pesos monthly. In CP Italy the salary of a Federation (i.e., regional) Secretary has been reported by a reliable source to be 16,000 Lire per month, or considerably less than the 26,000 Lire wages of a skilled industrial worker. The Japanese CP, on the other hand, scales its salaries according to need, rather than to the relative importance of the job held. The basic rate includes three monthly salary levels -- ¥ 500 for employees with large families and poor living accommodations; ¥ 450 for those who, although they provide the sole support of their families, have some other supplementary income; and ¥ 400 for those who receive support from parents or property. Additional family allowances provide ¥ 300 for wives and ¥ 100 for other dependents.

An even larger drain on the party's resources may be represented by its agitprop expenditures. The KPD in Bavaria, for example, in its April 1947 statement to American occupation authorities, gave agitation and propaganda as the object of about 55% of its total monthly expenditures, as compared with about 20% for salaries and expense accounts. The figures for

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the first quarter of 1947 for CP Colombia were 58% for agitprop and 35% for salaries. The largest items under the general heading are for printing and distributing the Party newspapers, training texts, pamphlets, occasional bulletins, etc. Other items are: rent for meeting halls, operation of public address systems, distribution of campaign buttons, stickers, etc.

Expenses of Party congresses and conferences and travel accounts of Party functionaries may also bulk large in the Party's financial statement. In the December 1946 balance sheet of CP Peru, for example, over 45% of the Party's total expenditures for the month was accounted for in the outlay made to send Juan P. Luna to a meeting of the Central Executive Committee of the Latin American Labor Federation (CTAL) at San Jose, Costa Rica.

PART TWO: "ABNORMAL" ACCOUNTS

Numerous reports have recounted "shady" financial operations of the Party in various countries. Such activities, none of which have been well-documented, range from blackmarket dealings, through speculation in currency and other exchanges, to blackmail, extortion and bribery. The Socialist Unity Party (SED) of the Soviet Zone of Germany is alleged to receive large sums from confiscated and nationalized private and state properties, while the Communist Party of Germany (KPD) in the Western zones has dealt in black-market sales of US Army tires and other black-market commodities. CP Japan receives some income from commercial fronts which carry on a blackmarket trade in army equipment and supplies, and, it is reported, sell excess quantities of newsprint allotted to the Party by American authorities for the publication of its official newspaper. At a meeting of the Finance Committee of the KKE in Greece, 1946, it was proposed that the party engage in smuggling. CP Japan is also alleged to operate a large-scale narcotics ring.

More important, from an intelligence point of view, and little better-documented, are the financial connections among various national Communist Parties, especially those involving the Soviet Union.

From the late 1920's until the dissolution of the Comintern in 1943, the flow of funds from one party to another was systematized and subject to a centralized control exerted by the Finance Department of the Comintern. Under its regime, the national "sections" cooperated closely in financial matters. With a view to stabilizing their finances under Comintern control and to reducing their dependence on the Soviet Union, the parties were supervised by traveling Comintern inspectors, and were obliged to render regular and detailed accounts. It was not intended that they should become completely self-supporting, but that they should develop a sense of realism in all their affairs as well as a feeling of international responsibility for the other parties in the world-wide movement.

The Comintern acted as agent for clearance of funds between Parties, and the Soviet government contributed heavily to their support. There is no reason to suspect that such transfers have ceased since 1943, despite the demise of the Comintern as a coordinating organ. They may possibly have become less systematic.

A few instances of transfers from one country to another will serve to illustrate the practice:

CP/Palestine "thanked" the British party for a loan of £3,000 in 1945.

Among items of income of the CP/Greece for November, 1945, were listed 22,000,000 drachmae in contributions "from Western countries" and very nearly the same amount in

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contributions from "Southeastern Europe."

Numerous instances of large sums passing from the party in one zone of Germany to another have been uncovered by occupation authorities. Intercepted KPD correspondence reveals that funds (roughly, 500,000 Marks from each of those named) were received by the party from Berlin, Paris, London, Rio de Janeiro, and New York.

Such transfers are not inevitably inter-Party: they may sometimes represent funds raised on behalf of Party-sponsored movements, such as the various committees for aid to democratic Greece, aid to republican Spain, etc. The part played by the Soviet Union in transfers and subsidization of the Parties is most carefully concealed, of course, especially when Soviet governmental functionaries act as agents. [REDACTED] disclosed several instances of Soviet subsidization in the Comintern years, all of them involving camouflaged bank-accounts, with deceptive deposits, transfers and withdrawals accomplished by persons connected with the CP Britain or with Soviet trade and diplomatic missions. It is significant that top Soviet officials abroad apparently kept their own hands clear of such activities. The agents employed were all fairly obscure employees and minor functionaries, who could easily be repudiated by the Soviet Government in case of discovery. In the course of a little less than ten months in 1928, one such series of transactions netted the CP Great Britain nearly £ 28,000.

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As evidence that such direct subsidization has not ceased, it has been fairly well established that the Soviet Legation at Beirut has at various times given large sums to the Levant Parties for election and general agitprop campaigns, that it has paid the salary of the President of the Lebanese Party, and that it finances European junkets of Middle Eastern communist leaders.

Subsidization may be accomplished indirectly, as it has apparently in cases reported from Greece and Switzerland, where the Party secured trading monopolies with firms doing business out of communist-controlled foreign countries. Thus, Leon Nicole's Parti Ouvrier (Switzerland) was reported to have stood to gain at least 600,000 francs as commercial agent in Switzerland for Rumanian firms during 1947. In this case the party operated under cover of the Geneva concern, Courage et Affrètements Maritime S. A. (Cansa). The income derived by the SED in the Soviet Zone of Germany from confiscated property is another example of indirect subsidization.

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APPENDIX

Annual Balance Sheet, CP Italy

(for the year 1946)

<u>Income</u>	<u>Lire</u>
Membership cards and stamps	63,879,453
Parliamentary indemnities (?)	2,664,607
Miscellaneous subscriptions	14,762,000
Sale of stationary (badges, card-holders, calendars, diaries, etc.)	28,488,356
Sale of printed matter	6,324,196
Credits	4,967,546
Loans (from wealthy members, due for repayment, 1947)	48,332,856
Loans 1946 (the share of the Central Administration of a total of lire 138,527,400; to be refunded 1950)	60,023,630
Miscellaneous	5,032,454
Total, Lire	234,457,100

<u>Expenditure</u>	<u>Lire</u>
Salaries and indemnities (?)	36,453,671
General expenses (office?)	5,167,701
Press and propaganda	7,525,199
Subscriptions to Federations	1,688,199
Subscriptions miscellaneous (?)	46,085,166
Congresses and conferences	2,193,555
Subscriptions to Party papers	26,353,140
Travel and transport	5,763,538
Schools and representatives abroad	7,453,238
Electoral campaign	60,010,074
Reserve	5,178,545
Loans	15,337,447
Total, Lire	219,209,473

Excess of income over expenditure, Lire	15,265,627
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